

MARIANO TORIO, MARIA BAUTISTA, FLORENTINA BAUTISTA AND RENATO BAUTISTA, PETITIONERS, VS. THE COURT OF APPEALS AND MEDEL COMPOUND TENANTS ASSOCIATION, INC., RESPONDENTS.

G.R. No. 107293. March 02, 1994

Ponente: NOCON, J.

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NOCON, J.:

was the observation by the Metropolitan Trial Court[2] in its joint decision dated October 30, 1990 in Civil Case Nos. 12961-63, affirmed by the Regional Trial Court[3] and reaffirmed by the Court of Appeals.[4]

The defendants referred to above are the very petitioners in the present case. They were ordered by the MTC to vacate the premises they were leasing at Medel Compound, a thickly populated tenanted 5-parcel residential land in Mandaluyong with an area of 31,052.5 square meters.

The lower courts were consistent in their finding of facts. In 1986, the tenants of Medel Compound, desirous of owning the land they were leasing, which some of them have been occupying since their birth, organized themselves to form the Medel Compound Tenants Association, Inc. The Association was later registered with the Securities and Exchange Commission with some 300 or so original members, including herein petitioners.

With the full support and assistance of the Mandaluyong Municipal Government and the National Home Mortgage Finance Corp (NHMFC), the land was finally acquired and its five titles were transferred in favor of the Association in February 1989. The land was subdivided among the Association members pursuant to the guidelines set by the NHMFC in relation to the Community Mortgage Program of the government.

In October 27, 1989, spouses Mariano Torio and Maria Bautista, Florentina Bautista, and Renato Bautista, were sent a letter by the Association, through its lawyer, demanding that they vacate Lot Nos. 135, 145 and 147, which were respectively held by them as tenant-lessees. When petitioners refused to do so, respondent filed a complaint for "Unlawful Detainer with Damages." Respondent alleged that petitioners never became active members and refused to participate in the acquisition of the lot; that although they were one of the incorporators of the Association, they did not pay a single centavo of the membership dues, other assessments, the critical downpayment for the respective lots they were leasing and rentals despite demands and grace period given them.

On the other hand, petitioners raised as defense that they never relinquished their membership. However, they could not immediately pay their obligation to the Association because they allegedly had to put up the money to pay their dues. When they were ready to pay, the Association allegedly ignored them. They further claimed that they never received any formal notices of deadline for payment of membership dues as most of the time they were staying in Wawa, Baras, Rizal.

Ruling in favor of the respondent Association, the MTC rejected petitioners' proposition that they were protected by Sec. 5, 2[n][d] paragraph, of B.P. Blg. 877[5], noting that the complaint was based on termination of the lease[6] and need of the premises[7]. Likewise, the trial court dismissed petitioners' reliance on P.D. 1517, Sec.

6[8] on the rationale the said provision prohibits the Medels from selling their property to third person without giving the tenants the right of first refusal. In this case, however, the Medels sold the property to the tenants' association and not to anybody else.[9]

On appeal, petitioners questioned the MTC's jurisdiction over the case, arguing that since the controversy is between the Association and its members, the case should have been adjudicated before the Securities and Exchange Commission (SEC) pursuant to P.D. 902-A.[10] The RTC, however, upheld the MTC stating that jurisdiction over the subject matter is determined by the allegations in the complaint and not the facts averred in the answer or opposition of the adverse party. The case filed being for unlawful detainer, the MTC was sustained in assuming jurisdiction.

The RTC also agreed with the MTC that respondent can rightly demand for petitioners to vacate the premises on the strength of Article 1687[11] of the Civil Code, considering that the period of the lease was on a month to month basis. The RTC, however, rejected MTC's application of Sec. 5(c) of B.P. Blg. 877, on the need of the premises by the immediate member of the family of the lessor, as this particular provision is intended to cover only natural persons.[12]

In their appeal to the appellate court, petitioners raised as issues RTC's reliance on Article 1687 of the Civil Code and its failure to apply P.D. 2016[13] which prohibits the eviction of occupant families from land identified as areas for priority development.

Anent the first issue, said court referred to the case of *Rivera v. Florendo*[14] where it was held that the determination of the period of the lease can still be made in accordance with Article 1687, because what is suspended by Section 6 of B.P. Blg. 25 is Article 1673 and not Article 1687.[15] As to the application of P.D. 2016, the Court of Appeals cited with approval the ratiocination of the MTC, as follows:

"This (provision) is an injunction against the owner, in this case the Medels, to sell the lot to others without giving the tenants the right of first refusal. But the Medels sold it to the tenants' association and to nobody else. The provision aforequoted has not been violated..."[16]

The court a quo further observed that:

"Finally, petitioners were not bona fide occupants of the lots in question because, admittedly, they were most of the time residing at Baras, Rizal. And what is worse, petitioners were renting out their houses erected on subject lots to other people..."[17]

In a vain hope to get a reversal of the referred decisions, petitioners now filed this present petition for review on certiorari on the same arguments they have raised in the lower courts, as follows:

"The respondent court seriously erred in not dismissing the complaints for ejectment for lack of jurisdiction.

"Assuming such jurisdiction, the respondent court seriously erred and gravely abused its discretion amounting to lack or excess of jurisdiction in upholding the ejectment of petitioners based on the expiration of the period of the lease contract.

"The respondent court seriously erred and gravely abused its discretion amounting to lack or excess of jurisdiction in disregarding the prohibition against the ejectment of petitioners by the lessor's successor-in-interest to whom the property was sold..."[18]

We find the petition unmeritorious.

On the question of jurisdiction, we cite the decision in *Viray v. Court of Appeals*,[19] penned by Mr. Justice Isagani Cruz, which states that:

"It should be obvious that not every conflict between a corporation and its stockholders involves corporate matters that only the SEC can resolve in the exercise of its adjudicatory or quasi judicial powers. If for example, a person leases an apartment owned by a corporation of which he is a stockholder, there should be no question that a complaint for his ejectment for non-payment of rentals would still come under the jurisdiction of the regular courts and not of the SEC." [20]

Indeed a contrary interpretation would distort the meaning and intent of P.D. 902-A, the law reorganizing the Securities and Exchange Commission. The better policy in determining which body has jurisdiction over a case would be to consider not only the relationship of the parties but also the nature of the question that is the subject of their controversy.

Petitioners tried to substantiate their second argument with the proposition that the contract between the Association and its members is not a lease contract, but a contract of sale on installment and presented as proof a purported contract signed by the Association President and one of its members. [21] Petitioners specifically pointed out the provision in the said contract which states:

"SECTION 11. SPECIAL CONDITIONS

It is hereby agreed by the parties that all rental payments shall be considered as installment payment of the purchase price of the unit awarded to the LESSEE. Upon expiration of the lease term, and payment by the LESSEE of all rentals due and payable including penalties and surcharges, full title and ownership shall vest unto the LESSEE. The LESSOR or its Assignee shall execute the necessary Deed of Absolute Sale, and all rental payments shall be credited against the purchase price." [22]

The contract, however, also provides as follows:

"SECTION 2. TERM

X X X

"2.2 Subject to the LESSOR's right of termination under Section 4 and other applicable provisions hereunder and the LESSEE's exercise of his/her right of option to purchase under Section 11 hereof, it being understood that the payment of the aggregate rental for the full period of this lease is the very essence and special consideration of this Agreement. (emphasis ours)

X X X

"SECTION 10. EVENTS OF DEFAULT

"a. failure of the LESSEE to pay the equivalent of at least three (3) consecutive monthly rentals.

X X X

"10.2. Effects of Default. Upon default by the LESSEE, each of the following remedies shall accrue immediately to the LESSOR . . .

"b. The lease shall be terminated and the LESSEE shall voluntarily surrender possession of the PROPERTY to the LESSOR/ITS ASSIGNEE and if the LESSEE fails to do so, the LESSEE may be summarily ejected and the LESSOR/ITS ASSIGNEE may enter the premises where the property is located . . ." [23] (emphasis ours)

We are not persuaded by petitioners' second argument for the following reasons: 1) the alleged contract was not presented in the trial court thus its genuineness, authenticity and due execution was not established; 2) if petitioners had entered into such a Lease/Purchase Agreement with the respondent, they should have attached to

the complaint said document which they allegedly signed, but this they did not do; and 3) the document presented to sustain their allegation is a pro-forma lease/purchase agreement which does not even name the lessor and is bare of other essential facts.[24]

In short, there is nothing in the record to show that petitioners entered into a Lease/Purchase Agreement with the Association and that petitioners never paid their rent to the Association, despite demands and grace period given them. Hence, even if, for the sake of argument, we are to apply the provisions of the purported contract to petitioners, as they want us to do, it is but right to evict them having defaulted in their payments.

Petitioners' third argument is a mere reiteration of their argument in the trial court to apply Section 5, 2[nd] paragraph, of B.P. Blg. 877 which we have previously disposed of.

As aptly observed by the MTC:

"... But then, where were they (petitioners) when their help was most needed. Had they put in their share into the concerted communal effort of the membership toward the attainment of the association's goal? Should their indifference be rewarded? Understandably, defendants having transferred their residence to Baras, Rizal long before the acquisition process had reached its peak, they could be the least concerned. To them, the project would not really mean land for the poor. Having rented out their houses, it is more of the entrepreneur's instinct that moved them to hold on to the premises." [25]

WHEREFORE, the petition is hereby DISMISSED for want of merit. The decision of the court a quo is AFFIRMED in toto.

SO ORDERED.

Narvasa, C.J., (Chairman), Padilla, Regalado, and Puno, JJ., concur.

[1] pp. 6-7 of the MTC's decision.

[2] Judge Hilario L. Laqui, presiding judge, Branch LIX, Mandaluyong.

[3] Judge Fernando L. Gerona, presiding judge, Branch CLV, National Capital Region, Pasig.

[4] Justice Segundino G. Chua, ponente; Justices Emeterio C. Cui and Jainal D. Rasul, concurring.

[5] Batas Pambansa Blg. 877

Sec. 5 - x x x

No lessor or his sucesor-in-interest shall be entitled to eject the lessee upon the ground that the leased premises has been sold or mortgaged to a third person regardless of whether the lease or mortgage is registered or not.

[6] Sec. 5(f) Batas Pambansa Blg. 877.

[7] Sec. 5(c) Batas Pambansa Blg. 877,

[8] P.D. 1517

Sec. 6. Land Tenancy in Urban Land Reform Areas. Within the Urban Zones legitimate tenants who have resided on the land for ten years or more who have built their homes on the land and residents who have legally occupied the lands by contract, continuously for the last ten years shall not be dispossessed of the land and shall be allowed the right of first refusal to purchase the same within a reasonable time and at reasonable prices, under terms and

conditions to be determined by the Urban Zone Expropriation and Land Management Committee created by Section 8 of this Decree.

[9] MTC decision, pp. 5-6.

[10] P.D. 902-A, Sec. 5

- In addition to the regulatory and adjudicative functions of the Securities and Exchange Commission over corporations, partnerships and other forms of associations registered with it as expressly granted under existing laws and decrees, it shall have original and exclusive jurisdiction to hear and decide cases involving:

X X X

(b) Controversies arising out of intra-corporate or partnership relations, between and among stockholders, members, or associates; between any or all of them and the corporation, partnership or association of which they are stockholders, members or associates, respectively; and between such corporation, partnership or association and the state insofar as it concerns their individual franchise or right to exist as such entity.

[11] Sec. 1687 of the Civil Code

- If the period for the lease has not been fixed it is understood to be from year to year, if the rent agreed upon is annual; from month to month, if it is monthly; from week to week, if the rent is weekly; and from day to day, if the rent is to be paid daily.

[12] RTC decision, p. 3.

[13] P.D. 2016, Section 2

- No tenant or occupant family, residing for ten years or more reckoned from the date of issuance of Presidential Decree 1517 otherwise known as the Urban Land Reform Law, in land proclaimed as Areas for Priority Development or Urban Land Reform Zones or is a project for development under the ZIP in Metro Manila and the SIR Program in the regional cities shall be evicted from the land or otherwise dispossessed.

(The related provision is found in P.D. 1517, Sec. 6 [see footnote # 8 for the full text of the provision]).

[14] 143 SCRA 278.

[15] Batas Pambansa Blg. 25, Sec. 6

- Application of the Civil Code and Rules of Court of the Philippines - Except when the lease is for a definite period, the provisions of paragraph (1) of Article 1673 of the Civil Code of the Philippines insofar as they refer to residential units covered by this Act shall be suspended during the effectivity of this Act, but other provisions of the Civil Code and the Rules of Court on lease contracts, insofar as they are not in conflict with the provisions of this Act, shall apply.

(This provision is restated in Section 6, B.P. Blg. 877.)

[16] MTC's decision, pp. 5-6.

[17] C.A. decision, p. 8.

[18] Petitioners' Memorandum, p. 7.

[19] G.R. No. 92481, 191 SCRA 308 (1990).

[20] Id at p. 323.

[21] Petitioners' Memorandum at p. 11-12.

[22] Annex "E" of the Petition; Rollo, p. 61.

[23] Ibid.

[24] the Lease/Purchase Agreement attached with the petition as Exhibit "E" does not name a lessor, nor does it contain the term of the lease or the rental price.

[25] MTC's decision, p. 7.

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